

Coin Collecting: Economics Meets Numismatics - PART I



By: Barre w. Hall B.Sc, J.D., LL. M. (Northwestern)

Introduction

Have you ever wondered about coin collecting? Coin collectors come in many shapes and sizes and with a whole range of interests and objectives. There are accumulators, collectors, investors, collector-investors, bullion hedgers, dealers and various categories of specialists to name a few. They may be motivated by artistic, historical, financial, social or other aspects of the activity (or any combination) but they all have an interest in coins, notes and/or tokens, frequently very intense and long term. And there are a lot of them, from basic accumulators to very sophisticated collector-investors, probably 100,000 or so in Canada and many more, about 3,000,000 or so in the U.S.

How do collectors organize their collections? How much time, effort and money is involved in collecting and what benefits and concerns could a collector expect? Why bother with something that seems so challenging and time consuming? Definitive answers to these questions are impractical to attempt in this limited context but there is one consideration that is "high impact" on this pursuit and that is economic! Coin collecting is one hobby where participants are subject to many strong economic forces which frequently provide benefits or risks, especially financial.

Economics

Economics has to do with the production and distribution of goods and services. A strong and equitable economy is crucial to a politically stable and productive society. Unfortunately, many politicians at the levers of power ignore the economy, cluelessly, and instead focus great effort and resource on obscure and far less important issues such as the recent washroom controversy

or the legalization of marijuana. This misplaced emphasis leads invariably to one thing: a loss of focus on what matters followed by serious and prolonged overspending and mismanagement of the economy.

In Winnipeg all levels of government (Federal, Provincial, City, and School) have been seriously overspending and mismanaging resulting in large accumulating debt and deficits with consequent accelerating debt service (interest) payments. When debt and mismanagement get out of hand things turn ugly-quickly. Venezuela, a good example of overspending and mismanagement has been enduring large scale riots and roaming mobs with almost no food, gasoline or other necessities now available. On top of all this they're out of toilet paper (talk about a big mess)! The state of Illinois, another good example, is in such bad shape that any winner of the Illinois Lottery must wait 2 or more years to be paid the winnings since that state is essentially insolvent if not bankrupt and has no funds available to pay any winner.

Canada's debt at about \$650 billion is moderate but it is being increased annually at about \$40 billion. Manitoba debt is about \$27 billion with the 2016 deficit weighing in at about \$1.1 billion; annual interest payments run about \$850 million--that's a lot of additional nurses or emergency room expansions not realized!. Ontario, by comparison, weighs in with a debt of about \$280 billion--the largest sub-sovereign debt in the world.

So in sum: Debt and mismanagement- bad! No debt and good management -good!

Numismatics

Numismatics has to do with the accumulation of coins, notes or

tokens and their organization, preservation and presentation. I.e. coin collecting. Like collectors themselves, collecting takes many forms. Collecting a series is popular, for example Canadian one cent coins of George V 1920 to 1936. Collecting by type is also very popular. However what has really become topical is the collection of bullion coins, both gold and silver. Roll collections of silver are also popular.

Bullion coins, which are coins issued by governments in specific weights and purities of gold or silver, have become enormously popular in Canada and even more so in the U.S.

Canada launched the 1oz 99.99% pure Gold Maple Leaf in 1979 after years of high inflation (in the 8-12% range). For years it was the only game in town and was popular throughout Canada and the U.S. and producing up to 1,000,000 or more coins per year. One half, one quarter and one tenth oz. Versions were introduced later. Silver Maple Leafs, 1oz 99.99% pure were introduced in 1986 and are extremely popular selling up to 30,000,000 annually. The U.S. introduced the Gold Eagle 1oz gold, 91.67% pure in 1986 together with the Silver Eagle, 99.99% pure, and these coins enjoy enormous popularity as well.

Many collectors focus on bullion coins, especially the silver Maple Leafs and Eagles, which now rank as the most popular coins to collect in the world.

Conclusion: Economics Meets Numismatics

High levels of government debt are very problematic. There appears little political will to control debt growth and so it is likely to continue until the economy stalls and the debt absolutely must be addressed. This will not be done by spending control or tax increases - these are

very unpopular with the citizenry. Rather the cure will be debt monetization, in English, simply "money printing". This will sooner or later lead to 1970's style inflation. (In the 70's inflation reached 15% before it was quelled).

This is where Numismatics comes in. A good coin collection, especially one containing better quality premium collector coins or gold/silver bullion coins will be an outstanding "inflation hedge" and will likely rise in value with inflation, possibly even exceeding the inflation rate. Accordingly, the time for action is right now.

Luckily, those Interested have a great opportunity to get in on the ground floor. The Manitoba Coin Club's 62nd Fall Coin and Stamp Show is set for October 1 & 2 (Saturday/Sunday) at the Sunova Center just North of the Perimeter Route at Main Street. Feel free to come and check out the offerings. There will be lots of collector and bullion coins (as well as notes, tokens and stamps). It's a good idea to take note of economic realities and get started with your bullion and coin hedging program right now! For best selection make sure you arrive early. ■